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LARGER BUT FEWER HATCHERIES IN U.S.

Fewer, but larger, is an accurate description of the hatchery business nowadays. The number of chick hatcheries has declined rapidly in recent years, but part of the reduction in total egg-setting capacity was offset by growth in the average size of the remaining firms. The South came out in front of other regions in area share of hatchery capacity.

As of January 1 this year, incubators in the Nation's chick hatcheries were

capable of holding 471 million eggs. This is a reduction of 23 million eggs from the 1963 figure and 59 million from 1959.

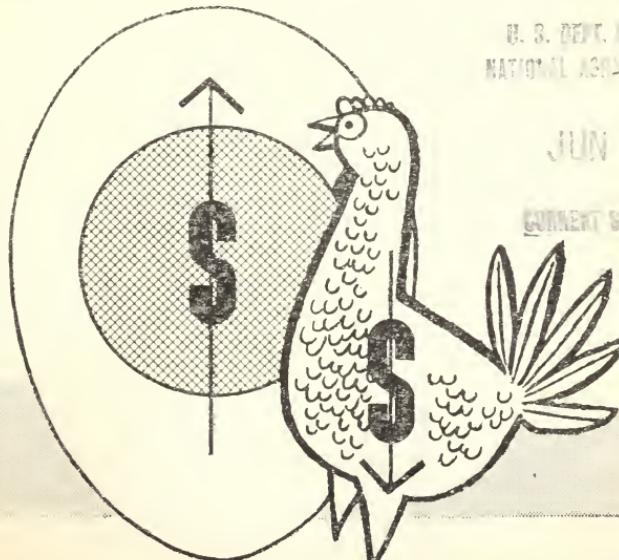
During the same period, the number of broilers and layer replacements raised rose 19 percent. These chicks came mostly from fuller use of existing hatchery capacity and to a much lesser degree, from improved hatchability.

Integration has been largely responsible for the reduction in hatchery ca-

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pacity because firms that handle the production and marketing of broilers and eggs, as well as hatching the birds, have tailored capacity to meet their own needs. As a result, they have been able to reduce unit costs of hatching chicks.

Seasonal peaks in demand for chicks are less pronounced nowadays than was true a few years ago. And this also has helped hatcheries to make better use of their chick-producing capacity.

The increase in output of broiler chicks, for which demand is relatively stable all year, has made the total chick hatch pattern more even. Broilers accounted for 81 percent of all chicks hatched in 1964. In 1955, broiler chicks were 65 percent of the total hatch.

Most layer replacements still are hatched during March, April, and May. However, monthly hatches have become more equal because egg producers have been shifting the time for starting chicks from spring to other seasons of the year in an attempt to even out highs and lows in egg output.

Chick output varies most within a year in three regions: West North Central; East North Central; and Middle Atlantic. In the North Central Regions, layer replacements still make up a rather large proportion of the hatch. The monthly output of layer replacements in the Pacific Coast Region is relatively constant.

Despite the recent decline in chick hatchery capacity, an excess still exists. The maximum number of chicks that could be hatched per year per unit of hatchery capacity (assuming 75 percent hatchability) is about 9.8. This compares with an actual annual rate for 1964 of 6.0. Even with an additional rise in chick production during the next several years, the downtrend in hatchery capacity is likely to continue.

During 1964, chick hatcheries used about 60 percent of their total egg-setting capacity (assuming 75 percent

hatchability) compared with 40 percent in 1957. About four-fifths of the unused capacity is in excess of peak requirements.

Most of the excess of hatchery capacity is in the East North Central, West North Central, and Mountain States. Egg-setting capacity in these regions was reduced 36 percent during 1959-64, compared with an 11 percent cut for the United States. The only regions to increase hatchery capacity during the last 6 years were the South Atlantic (11 million eggs) and the South Central (36 million eggs). These areas also have led the regional gains in broiler and egg production.

The start of 1965 saw 2,365 chick hatcheries in business. On January 1, 1963, the comparable figure was 2,911. Some 654 of the 1965 hatchery total had incubators capable of holding 200,000 or more eggs, or 71 percent of all such space. Out of this group, 252 hatcheries had incubators able to hold 500,000 or more eggs, or 45 percent of total capacity. This size group is the only one to show an increase in hatchery numbers since 1959.

Most of the smaller chick hatcheries are located in the Mountain, West North Central, and East North Central Regions. These regions account for only 35 percent of the country's total egg-setting capacity and a smaller percentage of the chick hatch.

POULT HATCHERIES

Like their chick-producing counterparts, the poult hatcheries also have reduced excess capacity recently. On January 1, 1965, turkey hatcheries reported a total capacity of 51 million eggs. On January 1, 1963, they could have accommodated 54 million eggs and on January 1, 1959, some 46 million.

During the 1959-64 period, the gain in poult hatchery capacity kept pace with the expansion in the number of

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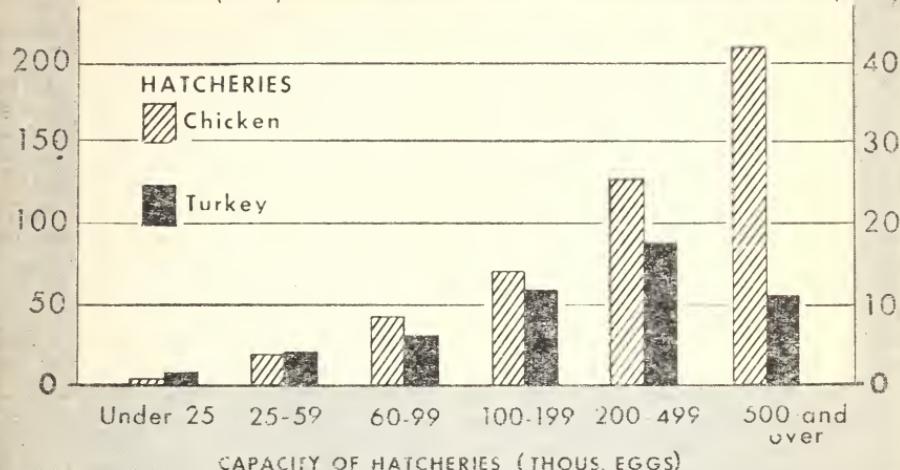
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HATCHERY CAPACITY, JANUARY 1, 1965

By Hatchery Size Group

CHICKEN EGGS (MIL.)

TURKEY EGGS (MIL.)



U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 3593-65 (1) ECONOMIC RESEARCH SERVICE

turkeys raised. Capacity expanded in all regions except the North Atlantic and South Central. In 1964, about 2.1 pouls were hatched per unit of capacity, compared with 2.0 in 1959 and 2.3 in 1961 when turkeys raised reached a record high of 108 million. Poult hatcheries produce fewer birds per capacity unit than chick hatcheries because 4 weeks are required to hatch pouls, compared with 3 weeks for chicks.

There are several reasons why an excess of poult hatchery capacity has continued. For one, demand for pouls is still highly seasonal. Despite some increase in consumption during the first three-quarters of the year, turkey continues to be primarily a holiday bird. Also, growing costs are lowest in the spring and summer when the pouls can be put on range. As a result, for each poult hatched in September, October, and November, more than 100 are produced in April and May.

In addition, integration in the turkey industry isn't as common as it is in the broiler business. And, the proportion of large-capacity turkey hatcheries has grown faster than the number of big chick hatcheries during the last 6 years. From January 1, 1959, to January 1, 1964, the capacity of poult hatcheries

able to set 200,000 or more eggs increased 78 percent. The comparable gain for large chick hatcheries was 17 percent.

Assuming a hatchability rate of 60 percent, the turkey industry used only a third of its total capacity in 1964. The seasonality of the poult hatch accounted for nearly half of unused capacity with the rest due to an excess of incubator space.

In coming years, a larger proportion of turkey meat is likely to be processed into convenience foods. This may help to level out the fluctuations in output to some extent. Last year, about 17 percent of the turkey crop was used in prepared foods. In 1961, less than half this amount was processed beyond the cut-up, ready-to-cook stage. A gain in integration of turkey hatching, production, and marketing is likely to reduce excess hatchery capacity over the next few years.

On January 1, poult hatcheries numbered 453 this year compared with 551 in 1963 and 682 in 1959. Of the 1965 total, 158 hatcheries accounted for 78 percent of total hatching capacity.

Herman Bluestone
Economic Research Service

1965 DEMAND AND PRICES FOR AGRICULTURAL GOODS

The agricultural outlook for 1965 continues to be one of generally stable aggregate income. Gross income realized from farming in 1965 may increase over last year, but higher costs of feed, livestock, and overhead items are expected to increase expenses again in 1965 holding realized net farm income near last year's level.

Prices received by farmers so far this year are a shade higher than a year earlier. But slightly lower prices are in prospect later this year because of lower price support loan levels for grain and cotton. The lower grain and cotton prices will again be supplemented with increased Government payments to maintain farm income. With prospective increases in marketings, cash receipts from marketings of farm production this year may total about the same as in 1964.

Output of farm products, particularly crops, is expected to increase in 1965. Last year, production held close to the 1963 level with gains in livestock prod-

ucts more than offset by reduced crop yields.

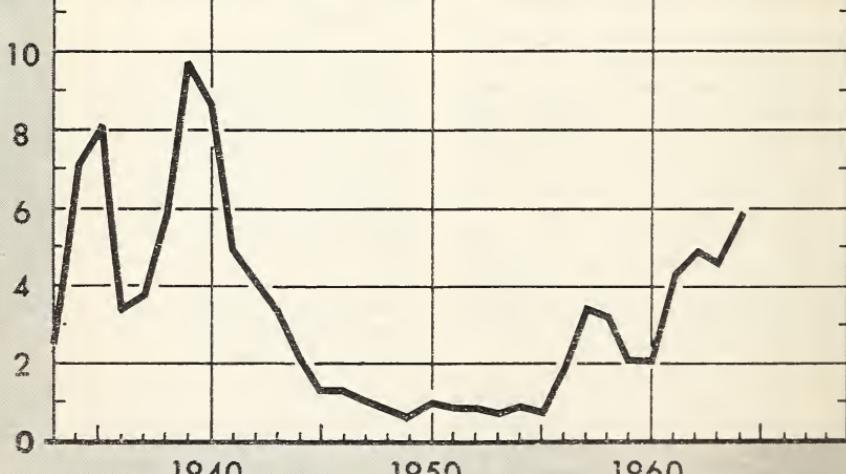
Planting intentions for 1965 indicate increased acreage of soybeans, potatoes, grain sorghums, and dry beans. Gains are anticipated in output of beef, milk, poultry, and eggs, but these may be offset by a substantial decrease from a year earlier in hog slaughter.

Economic activity accelerated during the early months of 1965, pushing the gross national product to a level more than 6.5 percent above a year earlier. Consumer spending for food this year is expected to total around \$3 billion above last year's \$80 billion. The rise last year was \$4 billion. Population is continuing to expand about 1.4 percent per year and personal disposable income per capita is expected to gain more than 4 percent in 1965.

Much of the increase in consumer use of farm products is expected among the crops, particularly for cotton, tobacco, and soybean products, and for fruits, especially oranges. Increases in total consumption of cattle and

GOVERNMENT PAYMENTS TO FARMERS*

% OF CASH RECEIPTS FROM MARKETINGS



* DIRECT PAYMENTS SUCH AS CONSERVATION, SOIL BANK, FEED GRAIN AND WHEAT PROGRAMS, BUT EXCLUDES WARTIME PRODUCTION SUBSIDY PAYMENTS ON DAIRY PRODUCTS AND MEAT ANIMALS.

poultry products may be about offset by reduced consumption of pork.

Foreign demands for most products are expected to continue near a year earlier; smaller shipments of wheat, cotton, and tobacco point to slightly reduced export shipments of farm products in fiscal 1965.

Gross national product rose about \$14 billion, annual rate, from the previous quarter, one of the sharpest quarterly advances on record. Consumer incomes were boosted by increased employment and earnings, and spending increased faster than income.

Personal income increased to an annual rate of \$512 billion in the first quarter, up about 2 percent from the previous quarter and 6 percent from a year earlier. Wage and salary disbursements, which constitute about 68 percent of personal income, were up 7 percent in January-March from a year earlier. Other forms of consumer income—dividends, business and professional income, and interest income—were also ahead of 1964 levels.

With a buildup of purchasing power, and with ready availability of credit, consumption expenditures surged nearly \$12 billion from the previous quarter to a \$418 billion annual rate.

Large gains in consumer outlays for durable goods reflected in large part a recovery from the auto strikes of the previous quarter.

Among nondurable goods: Spending for food and beverages in the first quarter was about 6 percent above the first quarter of 1964; apparel outlays were 10 percent higher; and spending for other nondurables was up 6 percent.

Outlays for services continued to rise; expenditures for household operation, medical care, and the rental costs of housing led the rise in expenditures for services.

Short supplies of automobiles in October-December 1964 contributed to "unplanned" increases in consumer savings. Savings were 8.0 percent of disposable personal income during the fourth quarter. Some of these savings apparently were spent in the first quarter, buoying purchases of goods. The rate of savings during the first quarter dropped to 6.7 percent of disposable personal income.

Recent work stoppages in the automotive industry and the possibility of a steel strike resulted in a bunching of output gains in the first quarter.

Private investment expenditures rose further in the first quarter to an annual rate of \$87.9 billion, 5 percent above a year earlier. Outlays for residential construction rose after having declined in the preceding three quarters. However, the downtrend in housing starts, now a year and a half old, continued in the first quarter. The rate of housing starts is an important indicator of future construction outlays. Current sluggishness in housing starts, now approximately 14 percent below the first quarter of 1964, points to some further weakness in residential construction outlays during the coming months.

Business investment in plants and equipment and in nonresidential buildings provided an upward thrust to private fixed investment during recent quarters. Spending by business for durable equipment rose in January-March to a level 11 percent above a year earlier. The rise in the first quarter was larger than the average for the previous 2 years, largely because some expenditures for transportation equipment were delayed by auto strikes in October-November last year.

Rising plant capacity and continued expansion in demand led to industrial production during January-April at a level 9 percent above a year earlier. Final product prices have been rising slowly; consumer prices rose about 1 percent from a year earlier. Wholesale prices were up about one-half percent; most of the rise was attributed to increased prices for industrial materials.

Further gains anticipated in business investment, output, employment, and income are expected to raise the gross national production for all of 1965 about 6 percent above last year. With rising employment and earnings and prospective reductions in excise taxes, consumer disposable incomes will continue to rise and lead to further increases in consumer spending for goods and services.

Clark Edwards
Economic Research Service

1965-66 MILK SUPPORT LEVEL UNCHANGED FROM RECENT YEARS

The 1965-66 marketing year (April 1-March 31) support level for milk is unchanged from recent years. USDA has announced that milk supports are being continued at 75 percent of parity, which means \$3.24 per hundredweight for manufacturing milk and 59.4 cents per pound of butterfat in farm-separated cream.

Although the support level was also at 75 percent of parity in 1964-65, the actual support prices were lower—\$3.15 and 58 cents—because the parity equivalent of manufacturing milk was 2.6 percent under the bases used for calculating this year's price levels. Both the adjusted base price and the parity index of prices received gained slightly from 1964-65 to 1965-66.

From April through June, milk prices to farmers are expected to average about 1 percent higher than a year earlier, primarily because of the increase in the support price. But, they are likely to be below the first quarter 1965 level. First quarter prices for milk at wholesale averaged \$4.27, up 3 cents per hundredweight from January-March 1964. The seasonal decline in average milkfat content (usually about 0.1 percent) is expected to cause most of the drop in price.

For calendar 1965, the average price for milk sold wholesale is likely to be about the same as in 1964. Due to an expected increase of 1 billion pounds in production, marketings are figured to be 1 percent higher by year's end. Last year, they rose to 120.1 billion pounds. Therefore, 1965 cash receipts from milk and cream should be a little larger than the \$5 billion record last year.

First-quarter milk production totaled 31.3 billion pounds, 0.3 percent above a year ago. Output in April-June is likely to continue over the same period of a year earlier. The rate of increase depends largely on forage and pasture conditions. Cooler-than-normal weather this spring slowed pasture development.

Output of American cheese during the first quarter was up 3 percent while that of butter remained the same as a year earlier. Because the commercial demand for cheese is gaining relative to butter, total cheese production for the year probably will continue to increase at a faster rate than butter output.

Production of condensed milk in January-February rose 20 percent in response to larger exports. Most of the 14 percent gain in output of dry whole milk went into stocks. Production of evaporated milk dropped 14 percent.

Total civilian use of milk in all products during 1965 is likely to be near the 118.8 billion pounds of 1964. As in 1964, an increase is expected in sales of fluid milk, cheese, and ice cream this year. This year's sales of butter may be about the same but those of evaporated milk are likely to decline.

CCC PURCHASES

In carrying out the dairy support program, USDA is continuing to offer to buy butter, Cheddar cheese, and nonfat dry milk in carlots. To keep average returns to producers at the support level, CCC purchase prices were increased from the 1964-65 levels by 1 cent per pound for butter and 0.5 cent for Cheddar cheese. The purchase price for nonfat dry milk is unchanged at 14.4 cents per pound in unsealed bags and 14.6 cents in sealed bags. Purchases in unsealed bags will be discontinued after December 31, 1965.

A change has been made in regional purchases of dairy products this year. In the Northeast (Pennsylvania, New Jersey, New York, and the New England States), USDA will buy only bulk butter produced in that area after May 1. In addition, butter purchase prices in the New England area now are determined by the same basing-point method that governs prices in other northeastern and midwestern States, for which specific purchase prices are not announced.

Anthony G. Mathis
Economic Research Service

THE VEGETABLE SITUATION . . .

Supplies Down But Acreages Up

Because of light supplies of old-crop potatoes, prices have been exceptionally high so far this year. But as usual, new crop potatoes will furnish the bulk of our supplies in coming weeks. Late spring crop marketings will be seasonally heavy in June, and with prospective tonnage large, prices are expected to average well below the high levels of a year ago.

Acreage of potatoes for early summer harvest is slightly smaller this year than last. With average yields, however, output may be materially larger than in 1964. Planned acreage for late summer-fall crops is up substantially. The prospective summer-fall acreage, assuming recent average yields, would result in a production sharply above probable market needs, with prices very low.

Supplies of dry edible beans continue to be materially smaller than a year earlier. Among colored classes, supplies of red kidney beans are up slightly, but those of pinto, pink, and small red beans are relatively light. Although stocks of white classes—including pea beans and Great Northerns—also are well below a year ago, markets were under pressure this spring and prices averaged below a year earlier.

Dry pea supplies are heavy, markets are weak, and prices remain low. Growers plan a substantial reduction in acreage. With average yields and expected carryover, the intended acreage would result in a moderately smaller supply for the 1965-66 season than that available this season.

Total supplies of fresh vegetables for marketing this spring are slightly smaller than last year, mostly because of relatively low yields and less acreage for early spring harvest. Smaller early season output, together with delays in harvest of late spring crops, resulted in strong spring markets. Fresh vegetable prices through mid-May were the highest in many years. Barring further weather problems, however, marketings will increase seasonally during June, with supplies of most vegetables about the same as a year earlier.

Remaining canned vegetable stocks probably are down moderately from a year ago. Supplies of asparagus, snap beans, carrots, and sweet corn are considerably smaller than the burdensome supplies of last year, but about average.

Stocks of lima beans, pumpkin and squash, peas, and kraut are much smaller than in 1964, and the supply of each is tight. Although down from last year, supplies of beets continue large relative to trade needs. Only spinach, tomatoes, and most tomato products are in larger supply this year than last.

Total frozen vegetable supplies (excluding potatoes) on May 1 amounted to 651 million pounds compared with 721 million last year. Cold storage holdings of snap beans, Brussels sprouts, and mixed vegetables, were slightly larger than a year ago. But stocks of other frozen vegetables were smaller. Supplies of peas were down slightly, and those of asparagus, broccoli, cauliflower, sweet corn, and carrots were substantially smaller than a year ago. Stocks of frozen lima beans and spinach were down sharply.

Prices for processed vegetables this season generally have been running above year-earlier levels. Among leading canned items, prices during May were moderately higher for snap beans, and sharply higher for sweet corn and kraut. Prices for tomatoes and tomato products were close to a year ago and moving up because smaller new packs appear likely. Frozen vegetable prices range from slightly higher for peas to sharply higher for limas and sweet corn.

Canned and frozen vegetable use during the remainder of the season is expected to continue at a high rate. As usual, few price changes are likely until pack prospects take shape in late summer. Carryovers of both canned and frozen vegetables into the 1965 packing season are expected to be considerably smaller than the high levels of recent years.

Donald S. Kuryloski
Economic Research Service

outlook



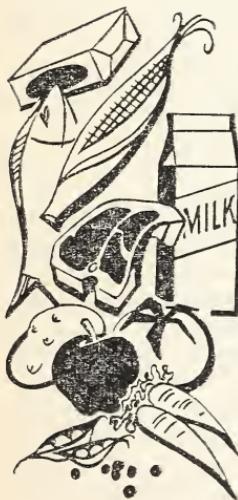
Based on Information Available on June 2, 1965

WHEAT SUPPLY

The total wheat supply in 1965-66 is now estimated to be about 2,142 million bushels. As of May 1 the winter wheat crop was estimated at 978 million bushels and the spring wheat crop at 261 million bushels. These combined estimates indicate an all wheat crop of 1,239 million bushels. The carryover on July 1 of this year is expected to total 900 million bushels, about the same as a year earlier. Imports are expected to continue small.

FOOD CONSUMPTION

Per capita food consumption in the United States may drop slightly from last year's level. Consumers will likely use fewer animal food products this year than last—mainly less pork and lamb but also less eggs and dairy products. Per capita consumption of beef and chicken may rise some. Per capita use of crop products is expected to rise during 1965 because of an expected substantial rise in fruit consumption. Most of the rise can be attributed to the recovery of citrus fruits from the freeze damage 2 years ago.



FEED GRAINS

Total disappearance of feed grains in the first half of the 1964-65 marketing year was about 2 percent above a year earlier and April 1 stocks were 13 percent smaller. Tighter "free" supplies and higher prices are expected to result in a little smaller domestic use in April-September of this year than last. For all of 1964-65, domestic use may fall slightly below the 133 million tons of the previous season. Exports are expected to about equal the 18.7 million tons of last year. This would leave a carryover in 1965-66 of about 56 million tons, 13 million less than a year earlier.

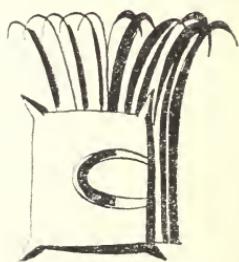
POULTRY

Broiler production is likely to expand further above the 1964 level in the second half of this year. Broiler prices have been higher than a year earlier in each of the past three quarters, causing a buildup in hatchery supply flocks. Broiler production in October-December is expected to be great enough to drive fourth quarter prices below year-earlier levels. The increase in turkey production is likely to be less than the 4 percent indicated by growers in a January survey. Prices are likely to continue higher at least through summer. If the increase in turkeys raised is held to about 2 percent, turkey prices in the main marketing season, September-December, are likely to average about the same as the 21.2 cents in those months last year.



WHEAT DISAPPEARANCE

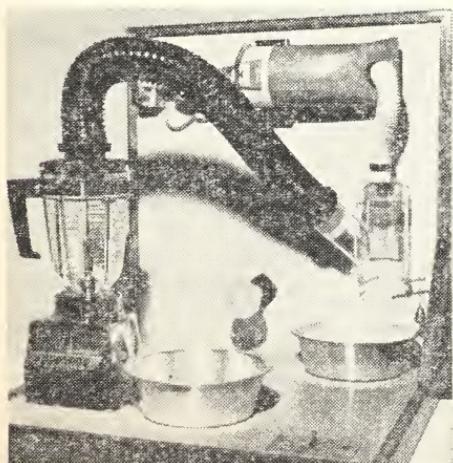
Total disappearance of wheat in 1965-66 is likely to be about 1,335 million bushels. Domestic disappearance is currently expected to total 635 million bushels—500 million bushels for food, 65 million for feed, and 70 million for seed. Exports are currently assumed at 700 million bushels, about in line with the upward trend of recent years. Based on these estimates of disappearance, the June 30, 1966, carryover may be approximately 805 million bushels—100 million below the current estimate for the June 30, 1965, carryover.



FOOD PRICES

Retail food prices in 1965 are expected to increase 1 to 1½ percent over last year's prices—about in line with the trend of recent years. However, since per capita food supplies may not quite match the level of 1964 and incomes are expected to rise substantially, some unforeseen price pressures may develop.

Statistician Develops Micro-Thresher



The micro-thresher, made of a food blender and a vacuum cleaner, will soon be used by the 17 State offices of the Statistical Reporting Service conducting objective yield wheat surveys. This new device, invented by statistician Roy Bullard of the Missouri Crop Reporting Service, speeds laboratory work in estimating production and yield. Only small wheat samples are needed in the objective yield survey. Before the micro-thresher it was necessary to separate kernels of grain from chaff by hand for counting. This unit may be used later for threshing other small grains and sorghum.

THE BEEF PICTURE . . . PRODUCTION TO SLACK OFF

Total beef production during the first quarter this year was up 6 percent from January–March 1964. Although the number of cattle marketed from feed-lots was 5 percent larger than a year earlier, steer and heifer beef production rose only 3 percent. Calf production increased 9 percent.

Commercial cattle slaughter in January–March was up 11 percent from the previous year. Cows made the largest gain—up 30 percent. Steer slaughter under Federal inspection rose 7 percent and heifer slaughter increased 12 percent. Calf slaughter was 8 percent higher than in first quarter 1964.

The April 1 inventory of cattle and calves on feed in 32 States totaled 8.4 million head—down 2 percent from April 1, 1964. Producers stated intentions to market 4 percent fewer fed cattle during the second quarter (compared with April–June a year ago). Also, the number of heavy animals on feed was down substantially on April 1. Steers weighing over 1,100 pounds and heifers over 900 pounds were down a third from a year ago and 12 percent lower than the number on hand January 1. Steers weighing 900 to 1,100 pounds and heifers in the 700- to 900-pound class were 6 percent under April 1, 1964. The number of animals at lighter weights were up more than 5 percent and marketings later this spring are expected to include a larger proportion of them.

As a result of the reduction in numbers on feed and the higher proportion of young cattle, fed cattle slaughter in the second quarter probably will be below last April–June and under the first quarter level also. However, marketings at midyear may again be close to the 1964 figure. Marketing weights into the third quarter probably will be about the same as last year. So, fed beef production is likely to be near year-earlier levels, too.

Second quarter marketing intentions in the Corn Belt were down 7 percent from last year on April 1. Feeders in the Western States expected to sell 2 percent fewer animals. However,

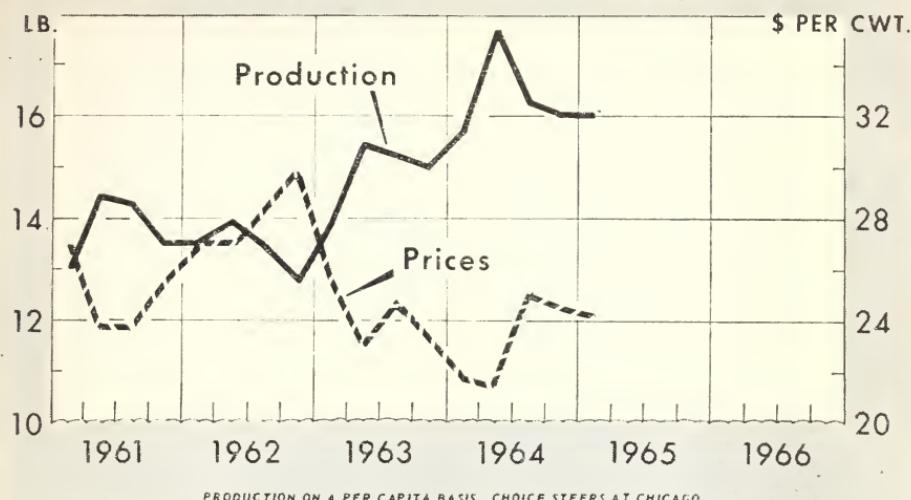
second-quarter marketing intentions in the Midwest are about the same as the actual number sold in the first quarter this year. Intended marketings in the West are expected to be down 11 percent from January–March with most of the reduction in California.

During April, Choice steers at Chicago averaged \$25.63 per hundredweight, up \$4 from a year earlier and \$1.30 above March. Prices for fed cattle, especially those grading high Choice or above, are likely to remain firm through May and June as the result of the smaller supply of heavier cattle. For the whole quarter, prices probably will average around current levels.

Fed cattle prices during the third quarter probably will average near the year-earlier level of \$24.93 per hundredweight (Choice steers, Chicago). However, unlike last year when the monthly average price advanced from \$24.44 in July to over \$26 in September, fed cattle prices this summer probably will be rather stable. In the absence of a USDA beef purchase program, a beef supply equal to last summer will mean about 3 percent more meat available in commercial trade channels. However, with the usual gain in population, incomes and preference for beef, this increase can be absorbed without depressing prices to producers. Continued small supplies of pork and lamb will tend to bolster fed cattle prices, too.

During the first quarter, price spreads between Prime and Choice steers and between Choice and Good steers widened each month. The average was \$1.50 and \$1.70 per hundredweight, respectively. Last January–March, marketings included large numbers of highly-finished cattle and the margin between Prime and Choice averaged 70 cents while that between Choice and Good was 87 cents. During the first 3 weeks in April, the margins were \$2.50 and \$1.95. In the second quarter, the price premiums paid for heavier cattle within a grade and those paid between grades are expected to continue to be larger than average.

STEER AND HEIFER BEEF PRODUCTION UNDER FEDERAL INSPECTION AND PRICES



U. S. DEPARTMENT OF AGRICULTURE

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In response to favorable feeding margins, feedlot operators are continuing to place large numbers of cattle on feed. During January-March, placements totaled 3.5 million head—1 percent under the record in first quarter 1964. However, the current premium for highly finished animals may encourage delays in marketings in anticipation of an even higher return. If this happens to any extent, the overall price level, as well as the spread between grades, probably would rise temporarily. When these cattle finally do come to market at heavier weights, prices would tend to slip, especially those for high Choice and Prime cattle.

Despite heavy slaughter and placements on feed during the first quarter, large numbers of cattle are available for feeding during the rest of the year. On January 1, the supply of cattle and calves available for feedlot placement during 1965 totaled 36.4 million head, slightly larger than a year earlier. Less than 10 percent were placed on feed during January-March.

Placements this spring will largely determine the volume of fed cattle marketings during the summer and fall. Factors which will influence the number of placements during the coming

months are weather and feeders' expectations of prices later on. The number of heavy-weight cattle available in Canada and Mexico could also have some effect on the fed cattle situation. Imports of feeders from Mexico and Canada were down substantially last year from 1963 levels, so larger supplies are on hand at present.

During January and February, feeder cattle prices continued stable at the low levels of 1964. Then they rose considerably in late March and April. Choice 500- to 800-pound feeder steers at Kansas City averaged about \$23.15 per hundredweight in April, \$1.13 above the first quarter and the highest monthly price since March 1964. The gain resulted primarily from the improvement in fed cattle prices, which in turn strengthened demand for feeders, and seasonally smaller supplies.

Prices for feeders are likely to stay above those of a year earlier through May and June and into the third quarter. Fair to average grazing conditions this spring would enable ranchers to hold more feeders, restricting supplies to some extent. This would boost prices further.

Robert L. Rizek
Economic Research Service

1964 Cotton Crop Exceeds 15 Million Bales

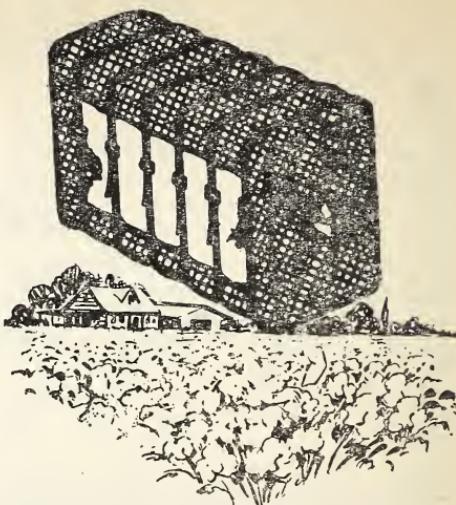
Cotton growers in the United States produced an estimated 15,180,000 bales of cotton, 500 pounds gross weight, in 1964—1 percent less than in the previous year but 9 percent more than average. Production of cottonseed in 1964 was 6,225,000 tons, compared with 6,192,000 tons in the previous year.

The acreage planted was 14,839,000 acres or about the same as in 1963. Abandonment from natural causes and removal for compliance with allotments in 1964 totaled about 5 percent of the planted acreage. Harvested acreage totaled 14,060,000 acres, 1 percent below the previous year. Of the total harvest acreage, 13,953,000 were upland cotton and 107,000 were American-Egyptian.

Yield in 1964 was 517 pounds per harvested acre, the same as a year earlier and 63 pounds above the 5-year average. Record high yields were attained in each of the principal producing States east of the Mississippi River. West of the Mississippi, the Arkansas yields substantially exceeded the previous record. In California, the average yields just exceeded the 1962 record. In the remainder of the Western States yields were somewhat below record levels.

The Bureau of the Census reported 15,147,578 running bales ginned during the 1964 season, of which 116,683 bales were American-Egyptian cotton. The average weight per bale was 501.1 pounds, indicating a production of 15,180,143 bales of 500 pounds each. In 1963, a total of 15,289,986 running bales were ginned, including 161,211 bales of American-Egyptian.

The combined value of cotton and cottonseed from the 1964 crop was \$2,546 million, 8.5 percent less than the 1963 crop. The preliminary season average price for lint was 29.7 cents a pound, down 2.5 cents from the previous year. The value of lint from the



1964 crop totaled \$2,253 million, compared with \$2,470 million for the previous year.

The season average price for 1964 crop cottonseed was \$47.10 per ton compared with \$50.70 per ton in 1963. The value of last year's cottonseed production, \$293 million, was 7 percent below the value of the 1963 production. Sales of 1964 crop cottonseed to oil mills are expected to total 5,925,000 tons, or 95 percent of the production. Sales to oil mills from the 1963 crop totaled 5,851,000 tons.

Through April 23 of this year, the Commodity Credit Corporation received 4,513,600 notes covering 7,543,379 bales of 1964 crop cotton under the 1964 loan program. In the same period 19,404 notes covering 247,558 bales were returned for correction leaving net receipts of 4,494,196 notes covering 7,295,821 bales. Loans on 1,576,366 bales of cotton were repaid, leaving outstanding loans on 5,719,455 bales.

William C. Hinson
Statistical Reporting Service



NEW TOBACCO PROGRAM APPROVED BY REFERENDUM

Growers of flue-cured tobacco—producing about one-half of the tobacco consumed domestically and about four-fifths of our total tobacco exports—voted by nearly three to one to place the new acreage-poundage program in effect on their 1965, 1966, and 1967 crops.

The new program will supersede the acreage allotment program that has been in effect for every year since 1939. Under the new acreage-poundage program, farm marketing quotas stated in pounds and corresponding acreage allotments are apportioned among growers.

An acreage-poundage program could be offered to growers of burley and other kinds of tobacco for 1966 and later years.

Under the acreage-poundage program now in effect for flue-cured, the 1965 national marketing quota is 1,126 million pounds—a level that will provide a downward adjustment in total supply, which is needed because of the very large carryover. The matching national acreage allotment is 607,335 acres—5 percent below 1964.

The national marketing quota was apportioned among farms as follows:

- An acreage allotment (18 percent above the superseded 1965 allotment) and the highest 3-year average yield per acre realized during 1959–63 was determined for each farm. (In accordance with the law, when a farm's average yield was below 80 percent of the community average yield it was adjusted upward to the 80-percent level; when a farm's average yield was above 120 percent of the community average yield it was adjusted downward as specified in the law, but not below the 120-percent level.)

- The allotment and yield data for all farms were summarized to calculate the national average yield per acre and this was then compared with the “national yield goal”—the desirable level based on research.

- The “national yield goal” was 6½ percent lower than the national average yield based upon the summarization in step 2. This percentage reduction was applied uniformly to each individual average farm yield as determined in step 1.

- Each farm's average yield thus adjusted multiplied by the farm's acreage allotment sets the poundage quota for the farm.

A grower can market up to 10 percent more than his marketing quota without paying a penalty but any marketings above the farm's marketing quota will be deducted from the farm's quota for the following year. If a grower markets less than his marketing quota in any year, the undermarketings will be added to the farm's quota for the following year.

The acreage-poundage program will be advantageous to growers because (1) with larger acreages than under an allotment program they can follow cultural practices that will improve the quality of tobacco—vital to expanding the market, especially the export market, (2) they can effectively balance supplies with demand and prevent future surpluses, (3) individually, they can retain their fair shares of the market without racing against neighbors and producers in other areas to get ever higher per-acre yields at the expense of quality, and (4) when they fall short of their quota due to crop failure or other reasons they can make up the shortage in the following year.

Arthur G. Conover
Economic Research Service



NET FARM INCOME STEADY GROSS INCOME MAY RISE

A reappraisal of farm income prospects for 1965 points to continued stability in net income realized by the Nation's farmers—much the same picture as forecast last fall. Farmers' realized gross income this year may exceed the \$42.0 billion record reached in 1964.

Production expenses will show some further increase, but probably less than the average annual increase of the past decade. Thus, realized net farm income this year is expected to hold near the \$12.6 billion preliminary estimate of 1964. This farm income forecast for 1965 assumes "average" weather during the growing season and continued strong domestic and foreign demand for farm products.

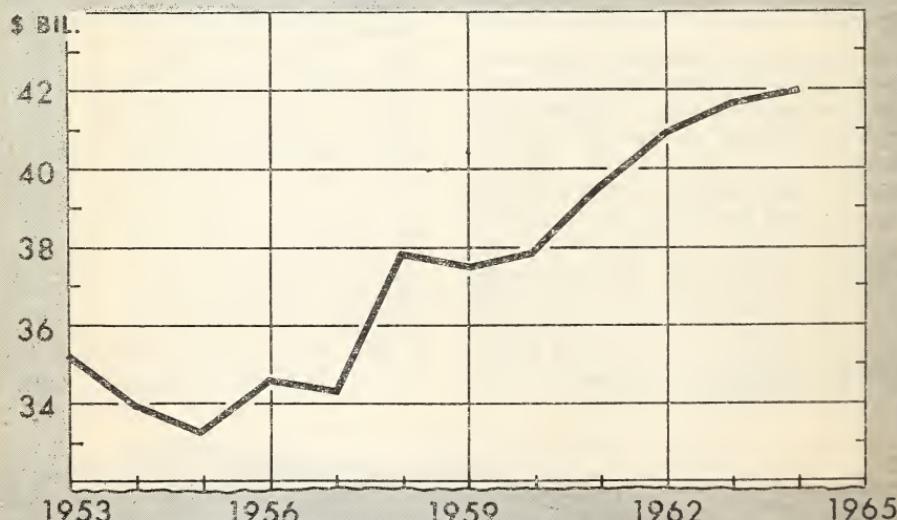
Cash receipts from farm marketings this year probably will be about the same as the \$36.7 billion estimated for 1964. Marketings of livestock and livestock products may be about the same in volume as in 1964. Prices for meat animals are expected to average higher than those of last year. The

volume of crop marketings in 1965 is expected to show a small decrease. Crop prices will likely average lower due to reduced 1965 price support loan rates for feed crops, wheat, cotton, and rice. However, receipts from crops will be augmented by increased payments to farmers for participation in the 1965 Feed Grain, Wheat, and Cotton Programs.

Cash receipts from marketings of meat animals in 1965 are expected to be higher in total than last year. With only a moderate increase in marketings in prospect, cattle prices at the farm are expected to strengthen. Hog prices will be noticeably higher this year due to reduced supplies for slaughter. Lamb prices will likely increase again in 1965.

Receipts from dairy products are likely to be above the 1964 total because of a somewhat larger volume of milk sold to plants and dealers. Cash income from marketings of poultry and eggs may be little changed from the 1964 level.

REALIZED GROSS FARM INCOME*



* INCLUDES CASH RECEIPTS FROM FARM MARKETINGS, DIRECT GOVERNMENT PAYMENTS, VALUE OF HOME CONSUMPTION, AND IMPUTED GROSS RENTAL VALUE OF FARM DWELLINGS.

Cash receipts from farm marketings of wheat will be down some this year as average prices reflect the slightly lower loan rate for the 1965 crop than for the 1964 crop. But payments to farmers under the 1965 Wheat Program will make up part of the expected reduction in receipts from marketings.

Marketings and prices of corn are expected to be about the same as in 1964. Payments under the Feed Grain Program this year will again supplement cash income to growers diverting acreage from feed crops.

Receipts from farm sales of tobacco are expected to be down in 1965 because of cuts in allotments of most kinds of tobacco. Cotton loan rates were reduced about 1 cent per pound and this may result in a slight drop in receipts this year. Farmers participating in the domestic allotment program for cotton will receive income supplementing payments in 1965.

Prices for soybeans this fall may average below year-earlier levels. Demand is expected to continue strong and carryover of old crop beans this fall will be at minimum levels. Receipts from soybeans are expected to be higher than in 1964. Cash receipts from other oil-bearing crops—peanuts and flaxseed—likely will be close to last year despite some indicated reduction in plantings.

Potato prices this year may average somewhat less than the unusually high prices of last year. Citrus prices are down because the Florida crop shows a substantial production increase over last year. A restriction on sugar beet acreage for the first time since 1960 will hold down the size of the 1965 crop and receipts will be about the same as in 1964. Receipts from vegetable marketings may not be quite as high this year as last and those from farm marketings of fruits and nuts may also be a bit lower.

Cash receipts from farm marketings in the first quarter of this year are estimated at \$8.1 billion, about the same as in January–March 1964. Increased volume of marketings was offset by a small drop in the average price received for all farm products.

Mardy Myers
Economic Research Service

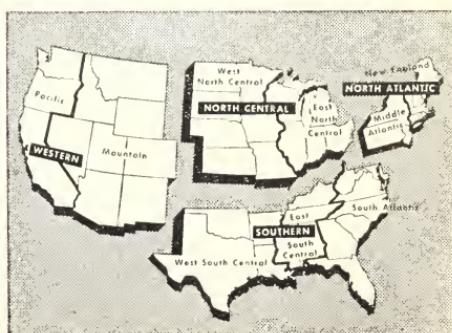
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